

COMMONWEALTH OF KENTUCKY
ENVIRONMENTAL AND PUBLIC PROTECTION CABINET
OFFICE OF INSURANCE
Frankfort, Kentucky 40601

IN THE MATTER OF:

Liberty Life Insurance Company)	
2000 Wade Hampton Blvd.)	
Greenville, SC 29615)	
DOI #: 301542)	<u>AGREED ORDER</u>
NAIC #: 65323)	
File No.: 2004DOS00256)	

WHEREAS, Liberty Life Insurance Company ("LLIC") is an insurance company authorized to transact insurance business in Kentucky pursuant KRS Chapter 304; and

WHEREAS, a complaint was filed on August 4, 2004, with the Consumer Protection and Education Division of the Kentucky Office of Insurance ("Office") alleging that policies that should have terminated when the insured reached age 65 did not so terminate. Rather, LLIC, in keeping with the business practices of the company from which the policies were assumed, continued the policies in force past the termination age identified in the policies and continued to accept premiums and pay claims on said policies;

WHEREAS, LLIC refunded to the complainant the amount of premium paid on the policies past the termination age of the insured or other expiration

date as identified in the policies, thereby resolving the specific consumer complaint;

WHEREAS, throughout the course of the investigation of the above-referenced complaint, the following policy types were identified as those with specific age termination/expiration provisions:

1. Disability Income (Loss of Time);
2. Accidental Death and Disability to age 65;
3. Daily Hospital Benefit to 65;
4. Daily Hospital Benefit to 75;
5. Accidental Death to 70.

The affected policy plan codes for the above-listed policy types are provided in Exhibit A to this Agreed Order.

WHEREAS, LLIC acknowledged that, as a general business practice, the company did not terminate these policies at the age specified in the policy contract. Instead, the policies continued in force past the termination age, LLIC collected premium past the termination age, and LLIC paid claims on the policies that continued past the termination age. In those instances where the policyholder chose to have premiums refunded back to the expiration date of the policy, LLIC honored the request by refunding the premium paid, less any claim payments made on the policy;

WHEREAS, LLIC has identified 1,126 affected in force policies that are in the plan codes identified in Exhibit A and that have age of termination provisions in the policy;

WHEREAS, LLIC has identified twenty-five (25) known situs states of the policies in force. A chart identifying the number of policies in each state is attached as Exhibit B to this Agreed Order;

WHEREAS, the Office desires, to the extent agreed upon by any participating state, to resolve this issue in Kentucky and the various situs states of the affected policies;

WHEREAS, LLIC understands and agrees that by entering into this Agreed Order, LLIC waives any and all rights to a hearing or judicial review of this matter;

NOW THEREFORE, it is hereby **ORDERED** and **AGREED** that LLIC shall implement the following action plan regarding all above-reference policies:

1. LLIC shall notify all insureds covered under the plan codes identified in Exhibit A, in writing, of the termination/expiration provisions in their policy contract and shall give the insureds the option of continuing the policy in force, or receiving a refund of premiums paid less any claim payments made after the insured reached the age of termination according to the policy contract. LLIC shall allow the insured a period of not less than forty-five (45) days to choose an

option. In the event that the insured fails to choose an option in accordance with the notification letter, the policy will continue in force;

2. If the insured chooses to keep the policy in force or if the policy remains in force as a result of the insured's failure to respond to the notification letter outlined in paragraph 1, LLIC shall issue to the insured an endorsement (a copy of which is attached hereto as Exhibit C and deemed approved by the states adopting this order) to the policy stating that the policy is continued in force after the age of termination/expiration notwithstanding the termination/expiration language in the policy contract. LLIC shall issue the notification letters to the insureds as required by paragraph 1 within ninety (90) days after the deadline established for the adoption of the order by each state;

3. If the insured chooses to cancel the policy and receive a refund of premium, LLIC shall issue a refund of all premium paid after the insured reached the age of termination, less any claim payments made on the policy past the age of termination;

4. LLIC shall be prohibited from increasing or seeking any rate increase on any and all plans identified in Exhibit A; and

5. LLIC shall, within ninety (90) days from the date the insureds are required to respond to LLIC according to the response date indicated in the

notification letter required by paragraph 1 above, provide to each participating state a listing that shall contain the name of the insured, the insured's policy number, the insured's plan number, the option chosen by the insured in accordance with paragraph 1 of this Agreed Order, and the refund amount, if applicable.

It is further **ORDERED** and **AGREED** that any use of this Agreed Order for competitive purposes by any licensee or company shall be deemed grounds for revocation of any applicable licenses or certificates of authority.

It is further **ORDERED** and **AGREED** that the terms of this Order are intended to resolve all potential violations and regulatory issues involving LLIC with respect to the circumstances identified in the recitals of this Order; however, the terms of this order shall not limit, inhibit, or restrict the Office's ability to investigate individual complaint files, regardless of their source, which may involve LLIC; nor shall this Order limit, inhibit, or restrict in any manner the Office's ability to take disciplinary action against LLIC for any proven violations involving circumstances not identified or addressed by this Order and identified through the course of any specific individual investigation.

It is further **ORDERED** and **AGREED** that LLIC shall initiate compliance with this Agreed Order within thirty (30) days of the effective date of said Order as indicated by the execution date for each participating state.

Done and effective on this _____ day of _____, 2005.

R. GLENN JENNINGS, Executive Director
Kentucky Office of Insurance

AGREED TO:

Typed Name: _____
As authorized representative of
Liberty Life Insurance Company

Typed Title: _____

Signature: _____ Date: _____

Certificate of Service

This is to certify that the foregoing Agreed Order was served by mailing the same by first class mail to:

Robert D. Black
President
Liberty Life Insurance Company
P.O. Box 789
Greenville, SC 29602-0789

and to:

Mark S. Wessel
Director of Compliance
Liberty Life Insurance Company
P.O. Box 789
Greenville, SC 29602-0789


on this _____ day of _____, 2005.

SHARRON S. BURTON
Chief Market Conduct Examiner and Counsel
Kentucky Office of Insurance
215 West Main Street
P.O. Box 517
Frankfort, Kentucky 40602
PH: (502) 564-1936 Ext. 4249
FAX: (502) 564-9902

PARTICIPATING REGULATOR ADOPTION

On behalf of the Colorado Division of Insurance, I, Erin Toll, Esq., Deputy Commissioner of Compliance and Market Regulation, hereby adopt, agree and approve this Agreed Order in the matter of Liberty Life Insurance Company, KOI file number 2004DOS00256.

Done and effective this 18th day of October, 2005.

BY: _____

Erin Toll, Esq.
Deputy Commissioner of Compliance and Market Regulation
Colorado Division of Insurance